

# **PRELIMINARY DRAFT**

**SANITARY AND IMPROVEMENT DISTRICT NO. 507  
OF DOUGLAS COUNTY, NEBRASKA  
Basic Financial Statements  
with  
Supplementary Information  
and  
Accompanying Independent  
Auditors' Report  
For the year ended June 30, 2009**



Sanitary and Improvements District No. 507  
of Douglas County Nebraska

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**PRELIMINARY DRAFT**

**Independent Auditors' Report**

To the Board of Trustees  
Sanitary and Improvement District No. 507  
of Douglas County, Nebraska

We have audited the accompanying financial statements of the governmental activities and each major fund of the Sanitary and Improvement District No. 507 of Douglas County, Nebraska as of June 30, 2009 and for the year then ended as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements of the governmental activities and each major fund referred to above present fairly, in all material respects, the financial position of the governmental activities of Sanitary and Improvement District No. 507 of Douglas County, Nebraska as of June 30, 2009, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America and the respective budgetary comparison for the General Fund and Debt Service Fund.

The accompanying financial statements have been prepared assuming that the District will continue as a going concern. As discussed in Note 8 to the financial statements, the District has significant liabilities due in the next fiscal year and insufficient assets to meet the obligations. This raises substantial doubt about the District's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2009 on our consideration of Sanitary and Improvement District No. 507 of Douglas County, Nebraska's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe to scope of our testing of internal control over financial reporting and the compliance and results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The District has not presented Management's Discussion and Analysis, a supplementing principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information listed in the table of contents is not a required part of the basic financial statements. Such information has been subject to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

**SANITARY AND IMPROVEMENT DISTRICT NO. 507 OF DOUGLAS COUNTY, NEBRASKA**  
**Government-Wide Statement of Net Assets**  
**June 30, 2009**

**Assets**

Cash on Deposit, County Treasurer (Note 1)	\$ 22,102
Investments (Notes 1 and 2)	429,530
Interest Receivable	153,326
Taxes Receivable (Notes 1 and 6)	62,610
Special Assessments (Notes 1 and 4)	594,241
Capital Assets, Net of Accumulated Depreciation (Notes 1 and 3)	<u>3,360,971</u>
Total Assets	<u>4,622,780</u>

**Liabilities**

Accounts Payable	41,213
Interest Payable	63,513
Warrants Payable (Note 5)	<u>4,407,332</u>
Total Liabilities	<u>4,512,058</u>

**Net Assets**

Invested in Capital Assets, Net of Related Debt	(235,500)
Unrestricted	<u>345,798</u>
Total Net Assets	<u>\$ 110,722</u>

**PRELIMINARY DRAFT**

The accompanying notes are an integral part of these financial statements.

**SANITARY AND IMPROVEMENT DISTRICT NO. 507 OF DOUGLAS COUNTY, NEBRASKA**  
**Government-Wide Statement of Activities**  
**For the year ended June 30, 2009**

**Expenses (Note 1)**

General Government:

Audit Fees	\$ 3,999
Collection Fees - County Treasurer	2,783
Depreciation (Note 3)	161,091
Engineering	16,599
Insurance and Trustee Bonding	2,820
Interest Expense on Registered Warrants (Note 5)	293,684
Legal Fees	23,382
Repairs and Maintenance	10,938
Utilities	21,246
Total General Government Expenses	<u>536,542</u>

**General Revenues (Note 1)**

Property Tax Assessed (Note 6)	96,224
State Motor Vehicle Allocation	224
Interest Income	56,644
Sewer Connection Fees	8,523
Total General Revenues	<u>161,615</u>

Change in Net Assets (374,927)

Net Assets - Beginning of the Year 485,649

Net Assets - End of the Year \$ 110,722

The accompanying notes are an integral part of these financial statements.

**SANITARY AND IMPROVEMENT DISTRICT NO. 507 OF DOUGLAS COUNTY, NEBRASKA**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2009**

	General Fund	Debt Service Fund	Total Governmental Funds
<b>Assets</b>			
Cash on Deposit, County Treasurer (Note 1)	\$ 3,417	\$ 18,685	\$ 22,102
Investments	-	429,530	429,530
Receivables:			
Accrued Interest on Investments	-	231	231
Accrued Interest on Special Assessments (Note 4)	-	153,095	153,095
Taxes Receivable (Notes 1 and 6)	62,610	-	62,610
Special Assessments Receivable (Notes 1 and 4)	-	594,241	594,241
<b>Total Assets</b>	<b>\$ 66,027</b>	<b>\$ 1,195,782</b>	<b>\$ 1,261,809</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts Payable	\$ 33,749	\$ 7,464	\$ 41,213
Accrued Interest on Registered Warrants (Note 5)	22,384	41,129	63,513
Warrants Payable (Note 5)	202,233	4,205,100	4,407,333
Deferred Special Assessments Revenue (Note 4)	-	594,241	594,241
<b>Total Liabilities</b>	<b>258,366</b>	<b>4,847,934</b>	<b>5,106,300</b>
<b>Fund Balances</b>			
Unreserved	(192,339)	(3,652,152)	(3,844,491)
<b>Total Liabilities and Fund Balances</b>	<b>\$ 66,027</b>	<b>\$ 1,195,782</b>	<b>\$ 1,261,809</b>

The accompanying notes are an integral part of these financial statements.

**SANITARY AND IMPROVEMENT DISTRICT NO. 507 OF DOUGLAS COUNTY, NEBRASKA**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Assets**  
**For the year ended June 30, 2009**

Total Fund Balances of Governmental Funds \$ (3,844,491)

Amounts reported for governmental activities in the statement of activities  
are different because:

Capital assets used in governmental activities are not current financial  
resources and therefore are not reported in the governmental funds  
balance sheet. This is the amount of capital assets, net of  
accumulated depreciation. 3,360,972

Special assessment revenue is recognized at the time of the assessment  
in the government-wide financial statements. This is the amount  
of deferred revenue in the fund financial statements that has already  
been recognized in the government-wide statements. 594,241

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Total Net Assets of Governmental Activities \$ 110,722

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The accompanying notes are an integral part of these financial statements.

**SANITARY AND IMPROVEMENT DISTRICT NO. 507 OF DOUGLAS COUNTY, NEBRASKA**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the year ended June 30, 2009**

	General Fund	Debt Service Fund	Total Governmental Funds
<b>Revenues (Note 1)</b>			
Taxes:			
Property Taxes (Note 6)	\$ 96,224	\$ -	\$ 96,224
State Motor Vehicle Tax Allocation	224	-	224
Interest Income:			
Interest on Taxes	3,544	-	3,544
Interest on Investments	-	3,979	3,979
Interest on Special Assessments (Note 4)	-	49,120	49,120
Sewer Connection Fees	-	8,523	8,523
Special Assessments Received (Note 4)	-	53,057	53,057
Total Revenues	<u>99,992</u>	<u>114,679</u>	<u>214,671</u>
<b>Expenditures (Note 1)</b>			
Current:			
General Government:			
Audit Fees	3,999	-	3,999
Collection Fees - County Treasurer	1,761	1,022	2,783
Engineering	16,599	-	16,599
Insurance and Trustee Bonding	2,820	-	2,820
Interest on Registered Warrants (Note 4)	15,846	277,838	293,684
Legal Fees	23,229	153	23,382
Repairs and Maintenance	10,937	-	10,937
Utilities	21,246	-	21,246
Total General Government	<u>96,437</u>	<u>279,013</u>	<u>375,450</u>
Excess (Deficiency) Revenues Over Expenditures	<u>3,555</u>	<u>(164,334)</u>	<u>(160,779)</u>
Fund Balance (Deficit) - Beginning of Year	<u>(195,894)</u>	<u>(3,487,818)</u>	<u>(3,683,712)</u>
Fund Balance (Deficit) - End of Year	<u>\$ (192,339)</u>	<u>\$ (3,652,152)</u>	<u>\$ (3,844,491)</u>

The accompanying notes are an integral part of these financial statements.



**SANITARY AND IMPROVEMENT DISTRICT NO. 507 OF DOUGLAS COUNTY, NEBRASKA**  
**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances to the Statement of Net Assets**  
**For the year ended June 30, 2009**

Net Change in Fund Balances - Total Governmental Funds \$ (160,779)

Amounts reported for governmental activities in the statement of activities  
are different because:

Special assessment revenue is recognized at the time of the assessment  
in the government-wide financial statements. This is the amount  
of revenue recognized in the government-wide financial statements  
less the special assessment revenues that were collected or available  
to be collected at June 30, 2008. (53,057)

Depreciation expense on capital assets is reported in the government-  
wide statement of activities and changes in net assets, but they  
do not require the use of current financial resources. Therefore,  
depreciation expense is not reported as an expenditure in  
governmental funds. This is reported as an expenditure in  
governmental funds. This is the amount of depreciation expense  
in the current year for capital assets. (161,091)

Change in Net Assets of Governmental Activities \$ (374,927)

**SANITARY AND IMPROVEMENT DISTRICT NO. 507 OF DOUGLAS COUNTY, NEBRASKA**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual - General and Debt Service Funds**  
**For the year ended June 30, 2009**

	General Fund			Debt Service Fund		
	Budgetary Basis (Non GAAP)			Budgetary Basis (Non GAAP)		
	Original and Final Budget	Actual	Variance Favorable (Unfavorable)	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>						
Property Taxes Collected	\$ 92,523	\$ 84,784	\$ (7,739)	\$ -	\$ -	\$ -
State Motor Vehicle Tax Allocation	150	224	74	-	-	-
Interest on Taxes	150	3,544	3,394	-	-	-
Interest on Investments	-	-	-	7,900	5,339	(2,561)
Interest on Special Assessments	-	-	-	2,000	11,227	9,227
Special Assessment Collections	-	-	-	60,000	53,057	(6,943)
Sewer Connection Fees	-	-	-	-	8,523	8,523
<b>Total Revenues</b>	<b>92,823</b>	<b>88,552</b>	<b>(4,271)</b>	<b>69,900</b>	<b>78,146</b>	<b>8,246</b>
<b>Expenditures</b>						
Operating Expenses						
Audit Fees	4,000	3,999	1	-	-	-
Broker Fees	3,000	-	3,000	40,000	-	40,000
Collection Fee - County Treasurer	1,850	1,761	89	-	1,022	(1,022)
Engineering	11,000	11,293	(293)	-	-	-
Insurance and Trustee Bonding	2,700	2,820	(120)	-	-	-
Interest on Registered Warrants	10,000	15,447	(5,447)	225,000	275,147	(50,147)
Legal Fees	12,000	10,159	1,841	-	-	-
Publication Costs	-	1,027	(1,027)	-	-	-
Repairs and Maintenance	21,000	15,070	5,930	-	-	-
Utilities	16,500	16,959	(459)	-	-	-
<b>Total Operating Expenses</b>	<b>82,050</b>	<b>78,535</b>	<b>3,515</b>	<b>265,000</b>	<b>276,169</b>	<b>(11,169)</b>
Capital Outlay	-	-	-	50,000	-	50,000
<b>Total Expenditures</b>	<b>82,050</b>	<b>78,535</b>	<b>3,515</b>	<b>315,000</b>	<b>276,169</b>	<b>38,831</b>
<b>Excess/(Deficiency) of Revenues Over Expenditures</b>	<b>10,773</b>	<b>10,017</b>	<b>(756)</b>	<b>(245,100)</b>	<b>(198,023)</b>	<b>47,077</b>
<b>Other Financing Sources (Uses)</b>						
Issuance of Warrants	20,000	61,327	41,327	50,000	275,147	225,147
Retirement of Warrants	(35,000)	(70,559)	(35,559)	(100,000)	-	100,000
<b>Excess (Deficiency) of Revenues Over Expenditures and Other Uses</b>	<b>\$ 30,773</b>	<b>785</b>	<b>\$ 40,571</b>	<b>\$(195,100)</b>	<b>77,124</b>	<b>\$ 372,224</b>
<b>Fund Balance, Beginning of Year</b>		<b>2,632</b>			<b>371,091</b>	
<b>Fund Balance, End of Year</b>		<b>\$ 3,417</b>			<b>\$ 448,215</b>	

The accompanying notes are an integral part of these financial statements.

**SANITARY AND IMPROVEMENT DISTRICT NO. 507 OF DOUGLAS COUNTY, NEBRASKA**  
**Statement of Revenues, Expenditures, and Changes**  
**in Fund Balances - Budget to GAAP Reconciliation**  
**For the year ended June 30, 2009**

	General Fund	Debt Service Fund	Total
<b>Sources/Inflows of Resources</b>			
Actual Amounts (Budgetary Basis) "Total Revenues"			
Available for Appropriation from the Budgetary Comparison Schedule	\$ 88,552	\$ 78,146	\$ 166,698
<b>Differences - Budget to GAAP:</b>			
Real estate and property tax revenue is recognized when assessed and excess collections are recorded (subject to ability to collect within 60 days rule) rather than when collected.	11,440	-	11,440
Interest income is accrued during the year rather than recognized when collected.	-	36,534	36,534
Special assessment revenue is recognized when assessed in the government-wide statements, rather than when collected or available.	-	(53,057)	(53,057)
Total Revenues as Reported on the Government-Wide Statement of Activities (GAAP)	<u>\$ 99,992</u>	<u>\$ 61,623</u>	<u>\$ 161,615</u>
<b>Uses/Outflows of Resources:</b>			
Actual Amounts (Budgetary Basis) of Total Expenditures from the Budgetary Comparison Schedule	\$ 78,535	\$ 276,169	\$ 354,704
<b>Differences - Budget to GAAP:</b>			
Expenditures are accrued during the year through accounts payable or other payables rather than expensed when paid.	17,903	2,844	20,747
Capital outlay is depreciated rather than expensed when paid. This is the amount of depreciation expense.	2,195	158,896	161,091
Total Expenditures as Reported on the Government-Wide Statement of Activities (GAAP)	<u>\$ 98,633</u>	<u>\$ 437,909</u>	<u>\$ 536,542</u>
<b>Other Financing Sources/Uses:</b>			
Issuance of Warrants (Budgetary Basis)	\$ 61,327	\$ 275,147	\$ 336,474
Retirement of Warrants (Budgetary basis)	(70,559)	-	(70,559)
<b>Differences - Budget to GAAP:</b>			
Warrants issued and not yet retired are capitalized rather than recognized as other financing source	9,232	(275,147)	(265,915)
Total Other Financing Sources/Uses (GAAP)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

**SANITARY AND IMPROVEMENT DISTRICT NO. 507 OF DOUGLAS COUNTY, NEBRASKA**  
**Notes to Financial Statements**  
**June 30, 2009**

**Note 1 – Summary of Significant Accounting Policies**

This summary of significant accounting policies of Sanitary and Improvement District No. 507 of Douglas County, Nebraska (the District), which was formed on August 24, 2004, is presented to assist in understanding the District's basic financial statements. The basic financial statements and notes are representations of the District's management, who is responsible for their integrity and objectivity. These accounting policies have been consistently applied in the preparation of the basic financial statements.

***Reporting Entity***

The District is a governmental subdivision authorized under the statutes of the State of Nebraska. A Board of Trustees is elected by the property owners of the District and has decision-making authority to levy taxes, the power to designate management, and the ability to significantly influence operations. The board has governance responsibilities over all activities related to streets, utility systems, and other public improvements within the jurisdiction of the District. The board also has primary financial accountability for fiscal matters of the District. The District is engaged in a single government program and is not included in any other governmental "reporting entity" as defined by GASB pronouncements. In addition, there are no component units as defined by GASB 14, which are included in the District's reporting entity.

***Government Accounting Standards Board Statement No. 34***

Effective June 30, 2004, the District has adopted GASB Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments," Statement No. 37, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus," and Statement No. 38, "Certain Financial Statement Note Disclosures." These statements require the presentation of government-wide financial statements in addition to fund financial statements.

The primary impact of adopting the statements includes changing the presentation of fund equity to net assets and long-term debt in the statements in place of separate account groups, and presenting "Management's Discussion and Analysis." Management has elected to omit "Management's Discussion and Analysis" from the basic financial statements.

***Basis of Presentation***

The basic financial statements of the District include the government-wide and the fund financial statements.

***Government-Wide Financial Statements***

The government-wide financial statements include the statement of net assets and the statement of activities, which report financial information for all non-fiduciary activities of the District. Individual funds are not displayed, and internal activity between or within funds is eliminated.

The government-wide Statement of Net Assets recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets for debt service; and unrestricted net assets. Net assets are restricted when

*Notes,  
Continued*

**Note 1 – Summary of Significant Accounting Policies (Continued)**

constraints placed on them are either externally imposed or imposed by law through constitutional provisions or enabling legislatures. Internally imposed designations of resources are not presented as restricted net assets. When both restricted and unrestricted resources are available for use, generally it is the District's policy to use restricted resources first then unrestricted resources, as they are needed.

The government-wide Statement of Activities reflects the expenses of the District's governmental activities, offset by general revenues to determine the change in net assets for the year.

**Fund Financial Statements**

The fund financial statements provide additional and detailed information about the District. The emphasis of the fund financial statements is on major governmental funds.

The District reports the following major governmental funds.

General Fund – This fund is the operating fund of the District. It accounts for financial resources of the general government, except those required to be accounted for in another fund.

Debt Service Fund – This fund is used to account for the accumulation of resources for, and the payment of general long-term debt principal, interest and related costs.

***Measurement Focus and Basis of Accounting***

Measurement focus refers to what is being measured. Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the basic financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

In the government-wide financial statements, the activities are accounted for using the economic resources measurement focus and the accrual basis of accounting. On an accrual basis, revenues are recognized when earned. Expenditures are recorded when liabilities are incurred, regardless of the timing of related cash flows.

In the fund financial statements, both funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Under modified accrual basis of accounting, revenues are recorded when susceptible to accrual, that is when they become both measurable and available. Available means collectable within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recognized in the period the liability is incurred, except for unaccrued interest on general long-term debt, which is recognized when due.

Notes,  
Continued

#### **Note 1 – Summary of Significant Accounting Policies (Continued)**

constraints placed on them are either externally imposed or imposed by law through constitutional provisions or enabling legislatures. Internally imposed designations of resources are not presented as restricted net assets. When both restricted and unrestricted resources are available for use, generally it is the District's policy to use restricted resources first then unrestricted resources, as they are needed.

The government-wide Statement of Activities reflects the expenses of the District's governmental activities, offset by general revenues to determine the change in net assets for the year.

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#### **Measurement Focus and Basis of Accounting**

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In the government-wide financial statements, the activities are accounted for using the economic resources measurement focus and the accrual basis of accounting. On an accrual basis, revenues are recognized when earned. Expenditures are recorded when liabilities are incurred, regardless of the timing of related cash flows.

In the fund financial statements, both funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Under modified accrual basis of accounting, revenues are recorded when susceptible to accrual, that is when they become both measurable and available. Available means collectable within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recognized in the period the liability is incurred, except for unaccrued interest on general long-term debt, which is recognized when due.

Notes,  
Continued

**Note 1 – Summary of Significant Accounting Policies (Continued)**

Use of Estimates – The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported in the financial statements and accompanying notes. Actual results could differ from the estimates.

Revenue – See subsequent note, "Tax Levy" for property tax revenues. State motor vehicle tax allocation, taxes collected in excess, interest on taxes, and miscellaneous revenues are recognized as the amounts are collected as the amounts earned cannot be measured. However, investment earnings are recorded as earned since they are measurable and available.

Special Assessments - Revenues on special assessments levied after June 15, 1987 are recognized as the amounts are collected on the fund financial statements and in the year when they were assessed on the government-wide statements. Uncollected special assessments outstanding are recorded as receivable on the government-wide statement of net assets and balance sheet and as receivable and deferred revenue on the fund financial statements. Special assessment levied before June 15, 1987 were recorded as income in the year assessed.

Capital Assets and Depreciation – Capital assets of the District are recorded at historical costs except for minor expenses for street and sidewalk improvements, recreational equipment, costs of constructing improvements for utilities, etc.

Depreciation is expensed over the estimated useful lives of the related assets using the straight-line method for financial statement purposes. The estimated useful lives for significant assets capitalized are as follows:

Land Improvements	20 Years
Infrastructure	25 Years
Equipment	10 Years

Infrastructure assets include all water systems, drainage systems, easements, sewage disposal works system, waterways, electrical systems, and roads.

GASB 34 requires the District to report and depreciate new infrastructure assets effective July 1, 2003.

Interest Expense - GASB 37 eliminated the requirement to capitalize construction-period interest for governmental activities. Effective July 1, 2003, all interest not related to long-term debt is expensed when incurred for governmental activities. Long-term debt related interest is expensed when incurred for government-wide financial statements and expensed when paid for fund financial statements. Business-type activities require the capitalization of interest expense during construction periods.

Investments - Investments are stated at cost or amortized cost, which approximates market.

Notes,  
Continued

**Note 1 – Summary of Significant Accounting Policies (Continued)**

Bond Issue Costs and Amortization – In the government-wide financial statements bond issue costs are amortized over the term of each bond, using the straight-line method of amortization. Fund financial statements expense bond issue costs when incurred.

Contributions in Aid of Constitution – This is an equity account, which includes the proceeds of Federal and State Grants, contributions from other governmental units, and contributions from any other source.

***Concentration of Credit Risks***

Taxes and Special Assessments Receivable - Receivables for real estate and property taxes and special assessments are due from property owners within the boundaries of the District located in Douglas County, Nebraska.

Budget and Budgetary Accounting – The District is required by Nebraska law to adopt an annual operating budget for all the funds over which the District controls. The budget is adopted using the cash basis of accounting. Under the cash basis of accounting, revenues and expenditures are recorded when cash is received or paid. The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- a) The Board of Trustees considers a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them.
- b) Public hearings are conducted to obtain taxpayer comments.
- c) Expenditures and transfers cannot exceed appropriations at the fund level. When expenditures and transfers are required for functions that have not been budgeted, authorization to amend the budget and to incur the expenditures is permitted following a public hearing. No significant supplemental appropriations were made for the fiscal year ended June 30, 2009.
- d) A majority vote by the Board of Trustees authorizes transfer of budgeted amounts from the General Fund to the Debt Service Fund.
- e) Prior to September 20, the budget is legally enacted by a resolution of the Board of Trustees. On or before September 20, the budget document is filed with the County Board and State Auditor of Public Accounts.
- f) Appropriations for the General Fund and the Debt Service Fund lapse at the end of the fiscal year.



Notes,  
Continued

## Note 2 – Deposits and Investments

Nebraska statutes provide that the District may, by and with the consent of the Board of Trustees of the District, invest the funds of the District in certificates of deposit or treasury bills.

Listed below is a summary of the deposits and investments that comprise the Cash on Deposit, County Treasurer and Investments on the June 30, 2009, basic financial statements.

**Deposits.** At June 30, 2009, the carrying amounts of the District's deposits were \$3,417 in the General Fund and \$18,685 in the Debt Service Fund. The County Treasurer balances for all funds totaled \$22,102. For purposes of classifying categories of custodial risk, the County Treasurer balances of the District's deposits as of June 30, 2009 were entirely insured by the federal depository insurance.

**Investments.** As of June 30, 2009 all investments for the District are invested in obligations of the U.S. Treasury and are conducted through the District's fiscal agent, the County Treasurer. These securities are bought and held in safekeeping by the County Treasurer in the District's name.

At June 30, 2009, the District had the following investments:

	<u>Cost</u>	<u>Market Value</u>	<u>Maturity</u>
Debt Service:			
U.S. Treasury Bill	\$ 109,899	\$ 109,979	July, 2009
U.S. Treasury Bill	44,930	44,980	August, 2009
U.S. Treasury Bill	24,969	24,982	August, 2009
U.S. Treasury Bill	169,816	169,832	October, 2009
U.S. Treasury Bill	14,979	14,981	November, 2009
U.S. Treasury Bill	64,937	64,920	November, 2009
Total	<u>\$ 429,530</u>	<u>\$ 429,674</u>	

## Note 3 – Capital Assets and Accumulated Depreciation

A summary of capital assets for the year ended June 30, 2009 is as follows:

	<u>Balance June 30, 2008</u>	<u>Additions</u>	<u>Sales or Disposals</u>	<u>Balance June 30, 2009</u>
Non-Depreciable Assets:				
Construction-in-progress	\$ -	\$ -	\$ -	\$ -
Depreciable Capital Assets:				
Land Improvements	78,000	-	-	78,000
Infrastructure	3,862,989	-	-	3,862,989
Equipment	26,705	-	-	26,705
Subtotal	3,967,694	-	-	3,967,694
Accumulated Depreciation	(445,632)	(161,091)	-	(606,723)
Net Capital Assets	<u>\$ 3,522,062</u>	<u>\$ (161,091)</u>	<u>\$ -</u>	<u>\$ 3,360,971</u>

The District recorded depreciation expense of \$161,091 for the year ended June 30, 2009.

Notes,  
Continued

#### Note 4 – Special Assessments and Deferred Revenue

A summary of special assessment activity for the year ended June 30, 2009 is as follows:

<u>Levy Date</u>	<u>Uncollected Assessment June 30, 2008</u>	<u>Assessed</u>	<u>Collected</u>	<u>Uncollected Assessment June 30, 2009</u>	<u>Accrued Interest</u>
3/2/2006	\$ 647,298	\$ -	\$ 53,057	\$ 594,241	\$ 153,094

A special assessment was levied on March 2, 2006 for the 2005-2006 sewer and other infrastructure original construction projects. The special assessment collections are due in ten equal annual installments commencing on March 2, 2007 and concluding March 2, 2016. Interest is charged at a rate of 7.5% on the unpaid balance of current installments. If the installment becomes delinquent, interest charged is increased to 9.5% of all delinquent installments due.

#### Note 5 – Warrants Outstanding

General fund warrants are due and payable no later than three years from the date of issuance. Debt service fund warrants are due and payable no later than five years from the date of issuance. The outstanding general and debt service fund warrants mature during the next five years as follows:

<u>Year Ending June 30,</u>	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
2010	\$ 74,671	\$ 1,153,723	\$ 1,228,394
2011	66,235	1,723,803	1,790,038
2012	61,327	788,248	849,575
2013	-	264,179	264,179
2014	-	275,146	275,146
	<u>\$ 202,233</u>	<u>\$ 4,205,099</u>	<u>\$ 4,407,332</u>

Registered warrants bear interest at the rate of 7% per annum. Interest accrues on warrants from the date of registration until the date they are called for payment. \$202,233 of the general fund warrants and \$4,205,099 of the debt service fund warrants have been registered as of June 30, 2009.

Notes,  
Continued

#### Note 6 – Tax Levy

Property taxes are levied in August and become due December 31. The first half payment is due March 31 and becomes delinquent April 1 of the following year and the second half payment is due July 31 and becomes delinquent August 1 of the following year. The County Treasurer bills and collects all property taxes for the District. If the taxes remain delinquent after February of the following year, the County places a lien on the property.

Property tax revenues are recognized when they become available, which includes those property tax receivables expected to be collected within sixty days after year-end. The portion of the taxes not expected to be collected within sixty days after year-end is recorded as deferred revenue. Delinquent taxes are considered fully collectable and, therefore, no allowance for uncollectible taxes is provided.

The District has levied real estate and personal property taxes as follows:

<u>Fiscal Year</u>	<u>District Valuation of Property</u>	<u>District Tax Levy per \$100</u>		
		<u>General</u>	<u>Debt Service</u>	<u>Total</u>
2008-2009	\$ <u>11,272,000</u>	<u>0.85366</u>	<u>0.000000</u>	<u>0.85366</u>

#### Note 7 – Risk Management

The District is exposed to various risks of loss, including those related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all programs. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or prior years.

#### Note 8 – Going Concern

As indicated in the Government-Wide Statement of Net assets as of June 30, 2009, the District had Warrants Payable of \$4,407,332 in outstanding warrants. \$1,228,934 of these registered warrants is due in the fiscal year ending June 30, 2010. The District does not have sufficient assets to meet these obligations as of June 30, 2009. Management is exploring a pre-approved payment plan to extend the due dates of the outstanding warrants. The District's ability to continue as a going concern is dependent upon the plan's approval. The financial statements do not include any adjustments that might be necessary if the District is unable to continue as a going concern.

PRELIMINARY DRAFT

**SUPPLEMENTARY INFORMATION**

**SANITARY AND IMPROVEMENT DISTRICT NO. 507 OF DOUGLAS COUNTY, NEBRASKA**  
**Schedule of Taxes Receivable**  
**June 30, 2009**

**Tax Levy**

During 2008, the District's Board of Trustees approved a tax levy of 0.85366 per \$100 of actual value of taxable property. The June 30, 2009 taxes receivable based on this levy and the delinquent taxes receivable are as follows:

	<u>General Fund</u>	<u>Debt Service Fund</u>
Valuation of Taxable Property	\$ 11,272,000	\$ 11,272,000
Tax Levy	<u>0.85366</u>	<u>0.000000</u>
Taxes Receivable – 2008-2009	96,224	-
Less: 2008-2009 Taxes Collected	<u>34,553</u>	<u>-</u>
Balance Taxes Receivable 2008-2009	61,671	-
Add Delinquent Taxes:	<u>939</u>	<u>-</u>
Total Taxes Receivable	<u>\$ 62,610</u>	<u>\$ -</u>

**SANITARY AND IMPROVEMENT DISTRICT NO. 507 OF DOUGLAS COUNTY, NEBRASKA**  
**Schedule of Investments**  
**June 30, 2009**

**PRELIMINARY DRAFT**

	<u>Cost</u>	<u>Market Value</u>	<u>Accrued Interest</u>
U.S. Treasury Bill, Par Value \$110,000 Due July 23, 2009	\$ 109,899	\$ 109,979	\$ 88
U.S. Treasury Bill, Par Value \$45,000 Due August 20, 2009	44,930	44,980	49
U.S. Treasury Bill, Par Value \$25,000 Due September 24, 2009	24,969	24,982	16
U.S. Treasury Bill, Par Value \$170,000 Due October 22, 2009	169,816	169,832	65
U.S. Treasury Bill, Par Value \$15,000 Due November 21, 2009	14,979	14,981	1
U.S. Treasury Bill, Par Value \$65,000 Due November 19, 2009	<u>64,937</u>	<u>64,920</u>	<u>12</u>
Totals	<u>\$ 367,018</u>	<u>\$ 368,156</u>	<u>\$ 231</u>

**SANITARY AND IMPROVEMENT DISTRICT NO. 507 OF DOUGLAS COUNTY, NEBRASKA**  
**Information Required by Section 31-740**  
**Revised Statutes of Nebraska, 1998**  
**For the year ended June 30, 2009**

Gross Revenue from all Sources	\$	161,615
Gross Revenue from all Sources in Previous Year		169,372
Amount Spent for Sewage Disposal		None
Amount Expended on Water Mains		None
Gross Amount of Sewage Processed		Not Applicable
Cost per Thousand Gallons of Processing Sewage		Not Applicable
Amount Expended for Repairs and Maintenance	\$	10,938
Amount Expended for New Equipment		None
Amount Expended for New Construction Work		None
Amount Expended for Property and Real Estate Acquisitions		None
Number of Employees at June 30, 2009		None
Salaries and Fees Paid Employees		None
Total Amount of Taxes Levied Upon the Property Within the District	\$	96,224

**SANITARY AND IMPROVEMENT DISTRICT NO. 507 OF DOUGLAS COUNTY, NEBRASKA**  
**Board of Trustees and Related Bonds**  
**June 30, 2009**

Trustees		Bonds	
<u>Name</u>	<u>Office</u>	<u>Insurer</u>	<u>Amount</u>
Patrick G. Day	Chairperson	Western Surety Company	\$ 5,000
Michael J. Kahre	Clerk	Western Surety Company	\$ 20,000
Kevin Petersen	Trustee		
Michael C. Carter	Trustee		
Travis Taylor	Trustee		



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Trustees  
Sanitary and Improvement District No. 507  
of Douglas County, Nebraska

We have audited the financial statements of the governmental activities and each major fund of Sanitary and Improvement District No. 507 of Douglas County, Nebraska, as of and for the year ended June 30, 2009, and have issued our report thereon dated November 6, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Sanitary and Improvement District No. 507 of Douglas County, Nebraska's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Sanitary and Improvement District No. 507 of Douglas County, Nebraska's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Sanitary and Improvement District No. 507 of Douglas County, Nebraska's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Sanitary and Improvement District No. 507 of Douglas County, Nebraska's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Sanitary and Improvement District No. 507 of Douglas County, Nebraska's financial statements that is more than inconsequential will not be prevented or detected by Sanitary and Improvement District No. 507 of Douglas County, Nebraska's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Sanitary and Improvement District No. 507 of Douglas County, Nebraska's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sanitary and Improvement District No. 507 of Douglas County, Nebraska's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the Board of Trustees and the Nebraska Auditor of Public Accounts. However this report is a matter of public record and its distribution is not limited.